

SUNDERMANN WATER POWER LIMITED

ACN 131 103 869

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2014

SUNDERMANN WATER POWER LIMITED
ACN 131 103 869

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Corporate Directory

Registered Office and Share Registry

Sundermann Water Power Limited
ACN 131 103 869

Registered Office:
C/- KMS Financial Solutions Pty Ltd
4/259 Whitehorse Road
BALWYN VIC 3103

Telephone 61 3 9880 4999
Facsimile: 61 3 9880 4962
E mail: f.sundermann@bigpond.com
Web: www.sundermannwaterpower.com

Directors

Frederick Sundermann (Chairman)
Leigh Bennett
Ulrich Hartig
John Mitchell

Company Secretaries

Leigh Bennett
Anne Hallam

Auditors

Darren Munro

SUNDERMANN WATER POWER LIMITED
ACN 131 103 869

DIRECTORS' REPORT

The Directors present their report together with the financial statements of Sundermann Water Power Limited ("the Company") for the financial year ended 30 June 2014 and the Independent Audit Report thereon.

Directors

The following persons were Directors of Sundermann Water Power Ltd during or since the end of the financial year.

Name and qualifications	Experience, special responsibilities and other directorships
Fred Sundermann Age 74 (Chairman)	<p>Appointed a Director on 15 May 2008. Fred has a lifelong interest in design and innovation. In his early career, Fred used his skills to develop new farm machinery including off set discs, rakes and harvesters.</p> <p>Fred has been developing the water turbine for many years and believes it has the potential to provide a sustainable energy source for both remote and established communities.</p> <p>Fred became Chairman of the Board on 21 February 2013.</p>
Leigh Bennett Age 57	<p>Appointed to the board on 1 November 2010, Leigh Bennett has worked extensively with government, corporations and small business and has a diverse career as a former Local Government CEO and senior executive for 10 years, as an Educator, HR Manager and HR Development Consultant. Currently, Leigh is the Principal of Enterprise Innovations, a business consultancy providing an extensive range of services devising and managing regional, community and people development initiatives. He works inside and outside businesses across planning, strategy, feasibility studies, financial planning and project management.</p> <p>He is a business advisor for a commercial real estate and commercial building construction group of companies and is involved in property development project teams. Leigh integrates his consulting with his work as an Executive Coach with Pharos Leadership, a leading Asian-Pacific people, leadership and organisation development company.</p> <p>Leigh has a Bachelor of Arts and Graduate Diplomas in Education and Business.</p>
Dr. Ulrich Hartig Age 69	<p>Appointed to the board on 13 November 2012, Dr. Ulrich Hartig has over 35 years of professional experience in Australia, France, Germany, South Korea, Brazil and Canada. He is a chemical engineer and was a senior manager of the BASF Group.</p> <p>He successfully assisted a large number of companies with investment projects and exports during his time with the Australian Federal Government in his role as the Investment Commissioner Europe and Senior Trade Commissioner Paris. His international exposure has provided him with the practical experience in dealing with the bureaucracies in many countries, as well as the cultural context of achieving business deals.</p> <p>Ulrich spends part of each year in Australia and in Europe providing advice to companies on business processes, corporate structure, policies and strategies as well as with the market introduction of new products and processes. He is fluent in English, French, German and Portuguese. Ulrich is also currently a member of the Australian Institute of Company Directors.</p>

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DIRECTORS' REPORT (continued)

John Mitchell
Age 68

Appointed to the board on 27 March 2013, John has a strong business/governance background in local government, water, sewerage and resource management and community governance.

John is self employed having operated his own Consulting business since 2008. Previously John has held the positions of Chief Executive Officer with large Regional Local Government Authorities; Managing Director of a Regional Water Authority responsible for the provision of water, sewerage , and prescribed solid and liquid recovery services . John has also held the positions of Director, Chairman and Acting CEO of the Australian Sustainable Industry Research Centre (2002-2009)

In these roles John has had extensive experience in dealing with large industries (oil/gas/power generation and timber/paper sectors), small/medium enterprises, community groups, environmental and educational organisations and regulatory authorities.

John is currently a member of the Australian Institute of Company Directors and Fellow, Local Government Professionals Inc.; He is currently a Director of two Boards, President of the Gippsland Emergency Relief Fund , and Chairman of a Regional Executive Development Forum.

Joint Company Secretary

Leigh Bennett has been company secretary from 1 November 2010.

Anne Hallam CA
Age 40

Anne was appointed Company Secretary in November 2009. She is a member of the Institute of Chartered Accountants in Australia and has over 15 years experience working in public practice covering a range of industries including retail, manufacturing and agricultural.

Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Meetings attended	Meetings eligible to attend
Fred Sundermann	13	13
Leigh Bennett	12	13
Ulrich Hartig	13	13
John Mitchell	12	13

Principal activities

The principal activities of the company during the financial year were the development of a submerged water powered electricity generating turbine.

Review and result of operations

In the year ended 30 June 2014, the company had a loss of \$48,638 (2013: Loss of \$38,881).

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DIRECTORS' REPORT (continued)

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial year other than that reported in the financial statements.

Dividends

There were no dividends paid in the year ending 30 June 2014 (2013: nil).

Going concern

The Directors have adopted the going concern basis of accounting for the following reasons:

- The Company, as a research and development company, continues to make good progress in the commercialisation of its water powered turbine for the generation of electricity.
- The T3 prototype has been further refined with design changes with a view to making a commercial model ready for market. The majority of this work is being undertaken by the Directors and Shareholders for no consideration.
- Negotiations are underway for a license agreement for the sale of the turbine in a defined geographic area in Western Europe.
- The financial statements have been prepared on a very conservative basis with the full impairment of the development costs until such time as the turbine is fully commercialised.
- The Board has considered its funding requirements for the operating and capital needs and has formed the view that it has allowed adequate funding for this purpose.

Events arising since the end of the reporting period

There are no matters of circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the Company's operations in future years;
- the results of those operations in future financial years; or
- the Company's state of affairs in future years.

Likely developments

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Environmental regulation performance

The Company has adopted environmental policies which recognise the obligations of the company under both State and Federal laws. "Best practice" approach to environment management is observed. There have been no breaches of regulations or policies during the year.

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DIRECTORS' REPORT (continued)

Directors' interests

The relevant interest of each director in the shares issued by the Company within the Company and other related bodies corporate, at the date of this report is as follows:

Directors	Notes	Holding
Fred Sundermann	1,3	281,075,000
Leigh Bennett	3	22,500,000
Ulrich Hartig	2	12,500,000
John Mitchell	3	11,250,000

Notes

1. Shares issued to Directors on incorporation of Company for no consideration in recognition of their contribution towards providing intellectual property, services rendered including preparation of business plan.
2. Shares held personally.
3. Shares held in associated entity in which director has beneficial interest.

Options granted to directors and officers of the Company

There were no options granted during the year ended 30 June 2014, or since the end of the financial year.

Indemnification of officers, auditors and agents of the Company

The Company's Constitution provides that the Company is -

(i) To indemnify officers, auditors and agents for the time being of the Company out of the assets of the Company against any liability incurred by such person as officer, auditor or agent which does not arise out of a willful breach of duty to the company and its controlled entities or a breach of Section 182 of the Corporations Act. Such indemnity may extend to a liability for costs and expenses incurred by a person in defending proceedings, whether civil or criminal, irrespective of their outcome.

(ii) To indemnify a Director, manager, secretary or other officer of the Company that they shall not be liable for:

- (a) the act, neglect or default of any other Director or officer;
- (b) any loss or expenses incurred by the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for on behalf of the Company;
- (c) the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested;
- (d) any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person with whom any moneys, securities or effects shall be deposited or left; or
- (e) for any other loss or damage which happens in the execution of the duties of his office unless the same happens through his or her own negligence, willful default, breach of duty or breach of trust.

Nothing contained in the Constitution shall be construed to lessen or abrogate any indemnity or protection given to Directors or officers of the Company by law.

Insurance premiums

The Company will incur insurance premiums in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The cost of insurance premiums will relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving breach of duty or improper use of information or position to gain a personal advantage.

The directors have not included details of the nature of the liabilities covered and the amount of the premium paid in respect of the directors' and officers' liability insurance, as such disclosure is prohibited under the terms of the contract.

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DIRECTORS' REPORT (continued)

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non - audit services

There were no non - audit services performed by the auditor of the company during the year.

Auditor's remuneration


	2014	2013
Audit services:	\$	\$
Auditor's of the Company:		
Audit of financial reports	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

Auditor's independence declaration

The auditor's independence declaration is set out on page 8 and forms part of the Directors' report for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the Board of Directors.

At Heyfield, on this Day 28 October 2014



Frederick Sundermann
Chairman

**SUNDERMANN WATER POWER LIMITED
ACN 131 103 869**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C
OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF
SUNDERMANN WATER POWER LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporation Act 2001* in relation to the audit; and
- ii. no contravention of any applicable code of professional conduct in relation to the audit.



DARREN MUNRO

Dated this 28th day of October 2014

SUNDERMANN WATER POWER LIMITED
ACN 131 103 869

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$	\$
Revenue		
Interest Received	-	214
Sundry Income	2,000	2,000
Total Income	2,000	2,214
Expenses		
Turbine Transport and Storage	2,604	-
Impairment of intangible assets	-	8,893
Accounting, secretarial and administration	1,113	1,156
Auditor's remuneration	2,000	2,000
Bank charges	138	134
General Expenses	-	886
Insurance for directors and officers liability	5,685	4,409
Printing and stationary	-	-
Legal Fees	4,500	1,500
Patent renewal	33,378	22,117
Web page design and maintenance	1,220	-
Total expenses	50,638	41,095
Profit/(loss) before income tax expense	(48,638)	(38,881)
Income tax (expense)/benefit	-	-
Profit/(loss) for the year - attributable to members of the company	(48,638)	(38,881)
Other comprehensive income	-	-
Total comprehensive income – attributable to members of the company	(48,638)	(38,881)

The statement of comprehensive income should be read in conjunction with the accompanying notes.

SUNDERMANN WATER POWER LIMITED
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 \$	2013 \$
Current assets			
Cash and cash equivalents	4	6,467	37,295
Trade and other receivables	5	735	1,631
Total current assets		<u>7,202</u>	<u>38,926</u>
Non-current assets			
Intangibles	6	-	-
Total non-current assets		<u>-</u>	<u>-</u>
Total assets		<u>7,202</u>	<u>38,926</u>
Liabilities			
Trade and other payables	7	16,245	10,330
Total current liabilities		<u>16,245</u>	<u>10,330</u>
Non-current liabilities			
Loans from Directors and Others	7	129,390	118,391
Total		<u>129,390</u>	<u>118,391</u>
Total liabilities		<u>145,635</u>	<u>128,721</u>
Net assets/(liabilities)		<u>(138,433)</u>	<u>(89,795)</u>
Equity			
Share capital	8	499,538	499,538
Accumulated losses		(637,971)	(589,333)
Total equity		<u>(138,433)</u>	<u>(89,795)</u>

The statement of financial position should be read in conjunction with the accompanying notes.

SUNDERMANN WATER POWER LIMITED
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STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2014

	Attributable to Owners of Sundermann Water Power Limited		
	Share capital	Accumulated losses	Total
	\$	\$	\$
At 30 June 2009	334,065	(27,864)	306,201
Total comprehensive income for the year	-	(365,880)	(365,880)
Transactions with owners in their capacity as owners:			
Issue of share capital (net of transaction costs)	31,586	-	31,586
At 30 June 2010	365,651	(393,744)	(28,093)
Total comprehensive income for the year	-	(67,430)	(67,430)
Transactions with owners in their capacity as owners:			
Issue of share capital (net of transaction costs)	54,360	-	54,360
At 30 June 2011	420,011	(461,173)	(41,162)
Total comprehensive income for the year	-	(123,147)	(123,147)
Transactions with owners in their capacity as owners:			
Issue of share capital (net of transaction costs)	73,527	-	73,527
At 30 June 2012	493,538	(584,319)	(90,781)
Total comprehensive income for the year		(38,881)	(38,881)
Adjustment for 2012 R&D Tax Credit		33,867	33,867
Transactions with owners in their capacity as owners:			
Issue of share capital (net of transaction costs)	6,000		6,000
At 30 June 2013	499,538	(589,333)	(89,795)
Total comprehensive income for the year		(48,638)	(48,638)
Transactions with owners in their capacity as owners:			
Issue of share capital (net of transaction costs)	-		-
At 30 June 2014	499,538	(637,971)	(138,433)

The statement of changes in equity should be read in conjunction with the accompanying notes.

SUNDERMANN WATER POWER LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Cash received from receivables		-	65,452
Cash paid to suppliers and employees		(41,828)	(47,691)
Interest received		-	214
Net cash from operating activities	10(a)	(41,828)	17,975
Cash flows from investing activities			
Acquisition of intangible assets		-	(8,893)
Net cash from investing activities		-	(8,893)
Cash flows from financing activities			
Proceeds from share issues net of capital raising costs		-	6,000
Repayment of borrowings			
Proceeds from borrowings		11,000	15,547
Net cash from financing activities		11,000	21,547
Net increase/(decrease) in cash and cash equivalents		(30,828)	30,629
Cash and cash equivalents at the beginning of the financial year		37,295	6,666
Cash and cash equivalents at the end of the financial year	10(b)	6,467	37,295

The statement of cash flows should be read in conjunction with the accompanying notes.

SUNDERMANN WATER POWER LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

1. Reporting entity

Sundermann Water Power Limited (the "Company") is an unlisted public company domiciled in Australia. The financial statements of the Company are for the year ended 30 June 2014. The Company is primarily involved in the design and development of submerged water powered turbines.

2. Basis of preparation

The consolidated general purpose financial statements of the Company have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Sundermann Water Power Ltd is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements for the year ended 30 June 2014 (including comparatives) were approved and authorised for issue by the Board of Directors on 28 October 2014.

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all periods presented in the financial statements.

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method.

All revenue is stated net of the amount of goods and services tax (GST)

SUNDERMANN WATER POWER LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

3. Significant accounting policies (continued)

Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Trade and other receivables

Trade debtors

Trade debtors relate to goods sold on agreed trading terms, and are non-interest bearing and stated at amortised cost less impairment losses.

Other receivables

Other receivables comprise net GST receivable.

Income tax

The income tax revenue for the year comprises current income tax income and deferred tax income.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax assets are measured at the amounts expected to be recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense/income is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled..

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

3. Significant accounting policies (continued)

Trade and other payables

Trade and other payables are stated at amortised cost.

Impairment

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite lives.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Intangible assets accounting policy

Intangible assets comprise turbine development costs which have been recognised at cost less any impairment losses.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

3. Significant accounting policies (continued)

New standards and interpretations not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2017	30 June 2018
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 135 –Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
INT 21 'Levies'	1 January 2014	30 June 2015

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014	30 June 2015
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014	30 June 2015
IFRS 14 Regulatory Deferral Accounts	1 January 2016	30 June 2017

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$	\$
4. Cash and cash equivalents		
Bank balances	6,467	37,295
5. Trade and other receivables		
Current		
R&D Tax Credit Receivable	-	-
GST receivable	735	1,631
	735	1,631
6. Intangible Assets		
Intellectual property and patents at cost	478,848	478,848
Provision for impairment	(478,848)	(478,848)
	-	-
7. Trade and other payables		
Current		
Trade Creditors	14,245	8,330
Accrued audit fees	2,000	2,000
	16,245	10,330
Non – current		
Amount owing to Director – Fred Sundermann	81,610	70,610
Amount owing to Director – Alex Moule	21,377	21,377
Amount owing to Director – Vic Nikolsky	2,000	2,000
Amount owing to Director – Ed Gibson	24,335	24,335
Other Loans	69	69
	129,391	118,391

Amounts payable to directors are unsecured, interest free and have no fixed terms of repayment. The directors have agreed to defer any repayment of the loans until such time as the company can repay the balances.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

8. Share capital

Reconciliation of movements in share capital

	Number of shares
Opening balance at 1 July 2009	442,000,000
Shares issued in the year ended 30 June 2009:	
Issued for cash	13,750,000
Issued for nil consideration	<u>1,000,000</u>
Total	<u>14,750,000</u>
Closing balance at 30 June 2009	456,750,000
Shares issued in the year ended 30 June 2010:	
Issued for cash	1,750,000
Issued for nil consideration	<u>4,000,000</u>
Total	<u>5,750,000</u>
Closing balance at 30 June 2010	462,500,000
Shares issued in the year ended 30 June 2011:	
Issued for cash	3,000,000
Issued for nil consideration	<u>-</u>
Total	<u>3,000,000</u>
Closing balance at 30 June 2011	465,500,000
Shares issued in the year ended 30 June 2012:	
Issued for cash	4,000,000
Issued for nil consideration	<u>21,000,000</u>
Total	<u>25,000,000</u>
Closing balance at 30 June 2012	490,500,000
Shares issued in the year ended 30 June 2013:	
Issued for cash	300,000
Issued for nil consideration	<u>-</u>
Total	<u>300,000</u>
Closing balance at 30 June 2013	490,800,000
Closing balance at 30 June 2014	490,800,000

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are entitled to any surplus proceeds on liquidation.

SUNDERMANN WATER POWER LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

9. Dividends

2014

There were no dividends paid or declared in the year ended 30 June 2014.

2013

There were no dividends paid or declared in the year ended 30 June 2013.

2012

There were no dividends paid or declared in the year ended 30 June 2012.

2011

There were no dividends paid or declared in the year ended 30 June 2011.

2010

There were no dividends paid or declared in the year ended 30 June 2010.

2009

There were no dividends paid or declared in the year ended 30 June 2009.

10.(a) Reconciliation of cash flows from operating activities

	2014	2013
	\$	\$
Profit/(loss) for the year	(48,638)	(38,881)
Non-cash movements:		
Impairment of intangibles	-	8,893
Movement in assets/liabilities:		
(Increase)/decrease in trade and other receivables	896	28,857
(Decrease)/increase in trade and other payables	5,915	(14,761)
Decrease/(increase) in accumulated losses	-	33,867
Net cash/(deficit) from/(used in) operating activities	41,828	17,975

10. (b) For the purpose of the statement of cash flows, cash is reconciled to the statement of financial position as follows:

	2014	2013
	\$	\$
Cash and cash equivalents (note 4)	6,467	37,295
	6,467	37,295

11. Subsequent events

Developments continue to be made into the commercialisation of the T3 prototype and negotiation of the license agreement.

SUNDERMANN WATER POWER LIMITED
ACN 131 103 869

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

12. Auditor's remuneration

	2014	2013
Audit services:	\$	\$
Auditors of the Company:		
Audit of financial statements	2,000	2,000
	<hr/> 2,000	<hr/> 2,000

13. Going concern

The Directors have adopted the going concern basis of accounting for the following reasons:

- The Company, as a research and development company, continues to make good progress in the commercialisation of its water powered turbine for the generation of electricity.
- The T3 prototype has been further refined with design changes with a view to making a commercial model ready for market. The majority of this work is being undertaken by the Directors and Shareholders for no consideration.
- Negotiations are underway for a license agreement for the sale of the turbine in a defined geographic area in Western Europe.
- The financial statements have been prepared on a very conservative basis with the full impairment of the development costs until such time as the turbine is fully commercialised.
- The Board has considered its funding requirements for the operating and capital needs and has formed the view that it has allowed adequate funding for this purpose.

14. Capital risk management

The company manages its capital to ensure that the company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board of Directors monitors the return on capital.

15. Contingent Assets

During the year the company was able to ascertain its eligibility for the R&D Tax Incentive and received \$33,867 from the Australian Tax Office.

There is no equivalent contingent asset this year as the company has been through a process of refining the turbine mainly in relation to its gearbox and bearings. This activity does not qualify for the R&D Tax Incentive.

16. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

**SUNDERMANN WATER POWER LIMITED
ACN 131 103 869**

**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2014**

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 9 to 20, are in accordance with the Corporations Act 2001 and:

- a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
- b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the company and consolidated group;

2. The directors of the company declare that:

- a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
- b. the financial statements and notes for the financial year comply with Accounting Standards; and
- c. the financial statements and notes for the financial year give a true and fair view; and

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Frederick Sundermann
Director

28 October 2014

SUNDERMANN WATER POWER LIMITED
ACN 131 103 869

INDEPENDENT AUDITOR'S REPORT

To the members of Sundermann Water Power Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements being special purpose financial statements of Sundermann Water Power Company Limited which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Statements

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion the financial statements of Sundermann Water Power Company Limited are in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1, and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the Corporations Regulations 2001.

Emphasis of Matter In Relation to Uncertainty Regarding Going Concern

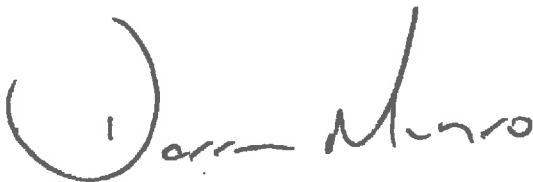
Without qualifying our opinion attention is drawn to the following matter as disclosed in Note 13 of the financial statements:

For the year ended 30 June 2014 the Company incurred a loss before tax of \$48,638 and at that date had a working capital deficit of \$7,043.

The Directors have adopted the going concern basis of accounting for the following reasons:

- The Company, as a research and development company, continues to make good progress in the commercialisation of its water powered turbine for the generation of electricity.
- The T3 prototype has been further refined with design changes with a view to making a commercial model ready for market.
- Negotiations are underway for a license agreement for the sale of the turbine in a defined geographic area in Western Europe.
- The financial statements have been prepared on a very conservative basis with the full impairment of the development costs until such time as the turbine is fully commercialised.
- The Board has considered its funding requirements for the operating and capital needs and has formed the view that it has allowed adequate funding for this purpose.

These conditions as set forth in Note 13 are dependent upon future events and therefore constitute a significant uncertainty over the company's ability to continue as a going concern and to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.



DARREN MUNRO
Director
Salwyn, 28 October 2014